



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

SIGNED OFF BY	Commercial & Investment Director
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TO	Commercial Ventures Executive Sub Committee
DATE	2 July 2020
EXECUTIVE MEMBER	Portfolio Holder for Place and Economic Prosperity

KEY DECISION REQUIRED	Y
WARDS AFFECTED	Redhill East Redhill West and Wray Common

SUBJECT	Marketfield Way Update July 2020
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RECOMMENDATIONS
<p>(i) To note the significant progress that has been made to conclude stage 3 of the project since the last report to Executive in December 2019.</p> <p>(ii) To note the exempt information contained in Part 2 of this report.</p> <p>(iii) That the Director of Place Services, in consultation with the Leader, Deputy Leader and Executive Member for Place and Economic Prosperity, be authorised to now enter into:</p> <ul style="list-style-type: none">• a building contract with Vinci Construction UK Ltd in accordance with the contract sum and terms provided in Part 2 of this agenda.• a deed of variation to a pre-sale agreement with Delph in accordance with the terms provided in Part 2 of this agenda. <p>(iv) That the Director of Place Services, in consultation with the Leader, Deputy Leader and Executive Member for Place and Economic Prosperity, be authorised to make any necessary changes to the terms or contract sums provided that they are within the financial parameters in part 2 of this agenda, before entering into the building contract and deed of variation.</p> <p>(v) That following (ii) and (iii) that the Head of Place Delivery, now progresses stage 4 of the project, including the implementation and construction of the</p>

development, in accordance with the exempt information provided in Part 2 of this agenda.

- (vi) That delegations previously authorised to the Head of Property in all previous reports to Executive, in relation to Marketfield Way, are now made by the Head of Place Delivery.

REASONS FOR RECOMMENDATIONS

The Council has continued to make significant progress to bring forward Marketfield Way and is now in a position to enter into a building contract and a variation to a pre-sale agreement in accordance with the terms set out in Part 2 of this report.

EXECUTIVE SUMMARY

Marketfield Way represents a significant opportunity for the Council, acting as developer, to use our assets to deliver a major mixed-use leisure based development, that will help to bring about major change and sustainable growth in Redhill, in accordance with our corporate vision.

This report provides an update on the further significant progress that the Council has made to bring forward stage 3 of the project since the last report to Executive in December 2019. Since the last report the Council has:

- **Acquired all land and property rights, secured vacant possession** and closed the public highway and car park, through the making of all orders.
- **Ensured that tenants were offered appropriate compensation** and help to relocate, if they wished.
- **Progressed the enabling works** which has included the demolition of buildings, diversion of statutory services and commencement of piling.
- **Completed all of the major necessary agreements for the development**, including works to the highway and to facilitate the provision of a new electricity substation.
- **Appointed a new professional team** headed by Gardiner & Theobald as well as a dedicated client monitoring team.
- **Secured external grant** to help part fund the enabling works as highlighted in part 2 of this report.

The Council is now ready to enter into a formal building contract with Vinci Construction UK Ltd (VCUK) which will facilitate the main build, as set out in the Part 2 report. Vinci were procured via an OJEU procurement process in 2017. The Council is also ready to enter into a Deed of Variation to an existing pre-sale agreement with its' partner Delph, who is acquiring the residential part of the development, which is in the commercial interests of both parties, as set out in the Part 2 report.

Executive has authority to approve the above recommendations

STATUTORY POWERS

1. The Council has wide ranging powers to promote the economic, environmental and social well-being of the borough. These powers are derived from the Local Government Act 2000 and also include the powers of general competence under section 1 of the Localism Act 2011 to do anything that individuals with full capacity generally may do, subject to the provisions of the Act.

BACKGROUND

The development

2. Marketfield Way represents a significant opportunity for the Council to use its assets to bring about major change and sustainable growth in the Borough's principal town centre, Redhill.
3. The realisation of Marketfield Way will be a 'gamechanger' for Redhill, bringing about the comprehensive redevelopment of a major site at the heart of the town centre, for a flagship mixed use leisure led development.
4. When complete Marketfield Way will comprise 150 one and two bedroom flats; a multi-screen cinema; high quality ground and first floor commercial floorspace; and new public space providing a pedestrian route that links the High Street to Marketfield Way and a place for outside activities.
5. The intention is that Marketfield Way will become a destination for people to visit, not just from within the Borough but from the wider region. Central to this will be a multiscreen cinema which will be the key leisure anchor to the development, along with a range of places for people to eat, drink and socialise.
6. The development will help to improve the town centre offer, providing more reasons for people to visit and to stay longer, benefiting other businesses in the town.
7. The Council will retain the commercial elements of the development and the residential part will be sold to a Private Sector Rented Sector company – Delph – who will let out the flats on the private market.

Previous reports

8. The project has been subject to a number of previous reports outlined in the background papers with the most recent in December 2019.
9. The development has been brought forward in a managed and phased way, with stage sign off when key milestones have been achieved.
10. In summary these stages are:
 - Stage 1 related to establishing scheme viability
 - Stage 2 related to proof of viability, scheme design to planning, commence land assembly activity, phase 1 tenders

- Stage 3 comprising confirmation of land assembly, detailed design and letting of construction tenders and continuing with pre let activities
 - Stage 4 comprising scheme implementation and construction.
11. The Council is now at the end of stage 3 and is now ready to enter into a building contract, so that construction can commence (stage 4).

KEY INFORMATION

12. Since the last report to Executive, the Council has continued to make significant progress to bring forward the development.
13. The site has been handed over to the Council's contractor, Vinci Construction UK Ltd (Vinci), who has fenced the area and set up their compound and welfare facilities.
14. Vinci have been instructed to undertake design and key enabling works on site, through a formal Letter of Intent, prior to entering into the building contract.
15. Very good progress has been made to date to deliver the enabling works.
16. All the properties on site have been demolished, which has initiated the Council's planning consent. Key services to buildings and infrastructure have been disconnected and utility companies are currently undertaking works to divert services around the perimeter of the site.
17. The piling mat has been formed and piling for the main building are now underway.
18. To facilitate the development the Council has also entered into a range of key legal agreements with third parties.
19. This includes a Section 278 agreement with Surrey County Council for highway works; a land transfer and lease with South Eastern Power Networks to provide a new electricity substation; a deed of easement with Thames Water to build over the sewer; and party wall agreements with adjoining landowners.
20. The Council has continued to make progress with the letting of the commercial space and is still receiving interest from a range of potential tenants despite the uncertainties surrounding Covid-19. Details of which are outlined in the Part 2 report.
21. The Council has also appointed a new professional team to help drive forward the development, headed up by industry experts Gardiner & Theobald, who are providing project management and cost consultancy services.
22. The Council has also appointed a client monitoring team, comprising Lesley Jones Architecture and Tud Sud to provide independent advice on architectural and mechanical and engineering services.
23. The Council has now finalised the contract sum and the terms of a building contract with Vinci Construction UK, details of which are outlined in Part 2 of this report.
24. The Council is also ready to enter into a Deed of Variation to an existing pre-sale agreement with its' partner Delph, who is acquiring the residential part of the development, which is in the commercial interests of both parties, as set out in the Part 2 report.

25. Subject to the Council entering into a building contract with Vinci, as recommended in this report, it is anticipated that the main building works will commence immediately, and that practical completion of the development will be by July 2022.

OPTIONS

26. **Option 1: (Recommended option)** To approve the recommendations in this report, whereby the Council continues to take an active role as developer, by entering into a building contract with Vinci Construction UK Ltd, to bring forward the development.
27. This option would enable the Council to begin the main build immediately and take an active and leading role in securing the greatest economic, social and environmental benefits for Redhill and the wider area, while at the same time deriving income that can be reinvested to help fund Council services.
28. **Option 2: (Not recommended option)** To complete the enabling works only and delay entering into a building contract until there is improved economy certainty.
29. This option could effectively mothball the site for an undetermined period of time. This could result in a substantial delay in bringing forward the development and would lead to increases in construction costs. It would also delay bringing forward a large and vacant site at the heart of the town centre, which would not bring confidence in Redhill as a place to invest and would lead to a loss of grant funding.
30. **Option 3 – (Not recommended option)** To complete the enabling works and dispose of the site.
31. This option would result in a capital receipt being obtained for the site. However, it is likely that it would result in substantial delays in bringing the development forward, for it is likely that it may take some time to secure an investor, who may wish to make substantial changes to the development.
32. By disposing of interests in the site it is likely to reduce the anticipated revenue income and potential capital receipt to the Council as set out in the exempt report in Part 2 of the agenda and limit the control of the Council in securing regeneration benefits for the town. The ability of the Council to help regenerate Redhill would also be lost. Post Covid-19, the opportunities to dispose of a mixed retail site are also likely to be limited
- 33.

LEGAL IMPLICATIONS

34. The Council has wide ranging powers to undertake development activity for the well-being of the Borough as outlined above. The recommendations in this report do not conflict with the statutory powers available to the Council.
35. The procurement of consultants and contractors required to perform the contract will comply with the Council's Contract Procedure Rules and any applicable EU or subsequent national legislation.
36. The Executive can be assured that the risks associated with this matter continue to be fully assessed and mitigated.

FINANCIAL IMPLICATIONS

37. This report, and the supporting information report in Part 2 of the agenda, explains how the financial risks associated with this development have been assessed and mitigated.
38. The capital costs of the development have previously been approved by Full Council for inclusion in the Capital Programme 2019/20 to 2023/24.
39. The development works will be funded through prudential borrowing, the costs of which will be charged to the Council's revenue budget. The details of the funding costs are set out in the exempt report in Part 2 of the agenda. Sale of the residential assets will realise a capital receipt that may be used to repay debt or for reinvestment in the Capital Programme.
40. Over the medium-term the development represents a potentially important revenue-generating opportunity for the Council.
41. Further details about projected costs, the funding requirement and anticipated income streams are set out in the exempt report in Part 2 of the agenda.

EQUALITIES IMPLICATIONS

42. An Equalities Impact Assessment screening has been undertaken looking at the principles of progressing with detailed design; procurement of contractor/subcontractors; development construction and development completion. This has identified that when completed the development will have positive or neutral impacts on all equalities target groups.
43. The potential for low negative impacts have been identified on the following groups during the construction stage: Older people; those with physical, sensory or learning disabilities or with long term health impairments; mothers or women who are pregnant.
44. Actions have been identified to mitigate these low negative impacts as follow:
 - Require (as part of the Council's contracts) accessibility to be maintained as far as possible, and construction activities to be considerate of all town centre users.
 - Deliver a comprehensive communications strategy to provide information about activities and clear signage about access and parking during construction.
 - Deliver the communications strategy in accessible as well as standard formats.
45. Other actions to improve the positive impacts of the development have also been identified:
 - Require, as part of the detailed design phase, appropriate consideration to be given to ensuring the development is accessible to all equalities target groups, and compliant with building accessibility regulations.
 - Require (as part of the Council's contracts) contractors/subcontractors to promote equality and not to discriminate.

COMMUNICATION IMPLICATIONS

46. The Council's Communications team working with the Place Delivery Service and our external partners will take overall responsibility for communications about the project to the public.

47. Vinci, as the Council's contractor, is responsible for day to day engagement and stakeholder management regarding the enabling works and build. This will identify what they intend to do during the course of their works, so that everyone is kept informed of what is happening and where problems arise, how these will be dealt with.
48. Vinci will meet with Council representatives on a regular basis to review and update the plan to suit any changes in circumstances.
49. Regular communications will take a variety of forms including face to face meetings, regular newsletters, social media updates, attendance at community stakeholder meetings and events, organised tours of the site; and a time-lapse camera feed.
50. All queries and feedback will be recorded. All face to face engagement, emails, calls and letters will be noted with actions identified for follow up.
51. Information about the development will be made available online via the Council's web site and on a planned micro site.
52. A proactive promotional campaign will also be launched to promote the development to industry and particularly to assist with the Council's attraction of suitable tenants to ensure that the development is fully let at an early stage.

RISK MANAGEMENT CONSIDERATIONS

53. There are inherent risks associated with commercial property development. Some of the major risks include cost overruns, programme delays, contracting issues, inability to let space etc.
54. Risks will be managed through careful project management as the development progresses both internally and externally.
55. The Council's project managers, Gardiner & Theobald, will maintain a risk and opportunities register, agree risk and opportunity management procedures and participate in risk assessment workshops. The team will ensure the effective management of mitigation measures and oversee the timely resolution of all risk and opportunity related matters.
56. Costs will be managed by Gardiner & Theobald, who will provide regular cost reports and cash flow forecasts of the main build; advise on the cost of variations prior to the issue of instruction under Building Contract and provide all necessary cost input into the change control process.
57. Allowances have been made in the budget for the provision of a client monitoring team including an architect, mechanical and electrical consultants and a clerk of works to also safeguard the Council's position.
58. COVID-19 has obviously had an impact on our development.
59. At a local level, the Council has worked with our professional team and with our contractor to ensure that there is no risk to the health and safety as a consequence of COVID-19.
60. By working remotely at home, the Council and our professional team have been able to continue to drive forward the development.
61. On site, our contractor and sub-contractors have been able to continue work during the pandemic in line with site operating procedures issued by the Construction Leadership

Council. Terms within the building contract will deal with the impact of COVID-19 on the development.

62. The severe economic uncertainty that has been created by COVID-19 has had an effect on the Council's ability to finalise terms with commercial tenants. Consideration of how the Council intends to mitigate against some of this is highlighted in Part 2 of this report.
63. Risks in relation to the project are managed by the Head of Service, reporting to the Place & People Board and in consultation with the Portfolio Holder and with members of the Commercial Ventures Executive Sub Committee.

CONSULTATION

64. The Council has undertaken widespread stakeholder engagement throughout the design and development of the development, as outlined in previous reports.

65. To date this has included a range of means of engaging with stakeholders.

Business engagement

66. The Council attends and provides regular updates to the Redhill Business Guild, which is a key stakeholder group representing a wide cross section of businesses interests in Redhill including major office employees, retailers, landowners, registered providers, local charities and community and voluntary organisations.

67. The Council, through our agents and our contractor, provide regular information and continues to consult and engage with all those parties who have an interest in the site and/or the land and properties that lie adjacent to it, including residents, businesses and/or investors.

68. As part of the land assembly and CPO process, the Council and our agents have been in regular contact and dialogue with a range of interested parties, particularly business occupiers, to explain the plans, offer advice and to discuss and agree compensation where it is due.

Statutory Bodies

69. The Council has worked closely with the Environment Agency and Surrey County Council, as lead flood authority, for the site lies within Flood Zone 2 where there is a risk of flooding.

70. The development has been carefully designed with flood compensation measures such as water attenuation and on this basis neither the Environment Agency nor Surrey County Council raised any objections.

71. The Council has also fully liaised with Surrey County Council (SCC), as the local highways authority, to consider the effect the development will have on the public highway. SCC has raised no objections to the proposals and a Section 278 agreement is being drafted between the parties.

72. Detailed discussions have taken place between the Council and major statutory bodies such as UK Power Networks to reach agreement.

POLICY FRAMEWORK

73. The regeneration of Redhill town centre is a key corporate priority for the Council and fully aligns with the strategic priorities and programmes of our partners at a regional, county and local level.

Reigate and Banstead 2025: Five Year Plan (2019)

74. Our Five Year Plan provides a commitment that the Council will take an active role in working with our partners to invest in our town and village centres, so they continue to be places where people choose to live, work and visit.
75. Specifically, the plan commits us to “use our own assets to provide new retail, leisure, business space and new homes in our town centres, including through the delivery of the Marketfield Way development in Redhill.”

Reigate and Banstead Borough Council Core Strategy (2014)

76. The development of the Marketfield Way will assist in the delivery of the Council’s Core Strategy objective SO20 to enhance the role of Redhill town centre as a centre of strategic importance and a safe and attractive retail, cultural and leisure destination with a high quality environment.

Reigate and Banstead Development Management Plan (DMP) (2019)

77. The DMP seeks to protect the vitality and viability of our town centre shopping areas and to ensure that both town and local centres are resilient and are able to respond to future changes.

Surrey County Council Community Vision for Surrey in 2030

78. The development will contribute to the County’s vision for Surrey. By 2030 the County Council wants its economy to be strong, vibrant and successful and Surrey to be a great place to live, work and learn.
79. In so doing key “Place” ambitions for the County include: everyone has a place they can call home, with appropriate housing for all and that businesses thrive.

Surrey County Council Reigate & Banstead Local Transport Strategy

80. Local Transport Strategy forms part of the Surrey Transport Plan and seeks to encourage economic growth for example by improving accessibility to economic regeneration areas and local town centres, such as Redhill.

Coast to Capital Local Enterprise Partnership (LEP) Gatwick 360 (2018)

81. A key priority for the LEP’s Gatwick Strategic Economic Plan for 2018-2030 - Gatwick 360 is to “Deliver Prosperous urban centres”.
82. Specifically it identifies its ambition to: delivery high-quality, locally distinctive mixed-use developments innovative new housing that offers a range of tenures and rent levels ; places for people that encourage social interaction and mixed communities and connected by highly sustainable transport links; rejuvenated local economies that add vitality and commerce to towns; and high quality landscape, recreation, heritage and culture more accessible.

Gatwick Diamond Local Strategic Statement (2016)

83. The Local Strategic Statement sets out the long term strategic planning and investment priorities for the area and identifies that a key priority is to support investment, growth and regeneration of major urban centres, such as Redhill, within the overall hierarchy of centres, to provide an appropriate range of services and facilities, so that they can play an effective and competitive role in providing retail, leisure and services within the Gatwick Diamond area.

BACKGROUND PAPERS

- Executive 9 January 2014
- Executive 16 February 2015
- Executive 15 October 2015
- Executive 18 May 2017
- Executive October 2018
- Executive December 2019